

Sisters of Emmanuel, Inc.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2009 and 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

9/1/10

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sisters of Emmanuel, Inc.
Lake Charles, LA

We have audited the accompanying statements of financial position of Sisters of Emmanuel, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and in our report dated September 10, 2009, which we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sisters of Emmanuel, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2010, on our consideration of Sisters of Emmanuel, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



February 3, 2010

Sisters of Emmanuel, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

ASSETS

CURRENT ASSETS	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 207,527.88	\$ 156,027.30
Accounts receivable		
Grants and contracts	62,308.89	61,391.01
Prepaid expenses	<u>2,042.50</u>	<u>3,292.80</u>
Total Current Assets	<u>271,879.27</u>	<u>220,711.11</u>
 TOTAL ASSETS	 <u><u>\$ 271,879.27</u></u>	 <u><u>\$ 220,711.11</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued liabilities	\$ 5,135.33	\$ 8,521.81
Unearned Revenue	<u>0.00</u>	<u>22,500.00</u>
	5,135.33	31,021.81
 NET ASSETS		
Unrestricted	<u>266,743.94</u>	<u>189,689.30</u>
 Total Net Assets	 <u>266,743.94</u>	 <u>189,689.30</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 271,879.27</u></u>	 <u><u>\$ 220,711.11</u></u>

See notes to the financial statements

Sisters of Emmanuel, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
SUPPORT AND REVENUE				
Grants and contracts	\$ -	\$ 539,004.90	\$ 539,004.90	\$ 518,626.28
Counseling fees	-	43,321.70	43,321.70	42,383.95
Donations	-	9,650.00	9,650.00	10,258.00
Interest income	2,058.14	-	2,058.14	-
Other	-	800.31	800.31	2,179.33
Net assets released from restriction	<u>592,776.91</u>	<u>(592,776.91)</u>	<u>-</u>	<u>-</u>
	594,835.05	-	594,835.05	573,447.56
EXPENSES				
Functional expenses				
Program service	457,951.12	-	457,951.12	417,151.58
Administrative	<u>59,829.29</u>	<u>-</u>	<u>59,829.29</u>	<u>44,873.38</u>
TOTAL EXPENSES	<u>517,780.41</u>	<u>-</u>	<u>517,780.41</u>	<u>462,024.96</u>
Change in Net Assets	77,054.64	-	77,054.64	111,422.60
Net Assets at Beginning of Year	<u>189,689.30</u>	<u>-</u>	<u>189,689.30</u>	<u>78,266.70</u>
Net Assets at End of Year	<u>\$ 266,743.94</u>	<u>\$ -</u>	<u>\$ 266,743.94</u>	<u>\$ 189,689.30</u>

See notes to the financial statements

Sisters of Emmanuel, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2009
With Comparative Totals for the Year Ended 2008

	<u>Program</u> <u>Expenses</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u> <u>2009</u>	<u>Total</u> <u>2008</u>
Salaries and related benefits	\$ 411,906.22	\$ 45,429.29	\$ 457,335.51	\$ 422,919.77
Mileage reimbursement	17,116.88	-	17,116.88	13,798.84
Occupancy	11,738.01	-	11,738.01	12,017.43
Supplies	6,672.93	-	6,672.93	4,222.70
Other expenses	<u>10,517.08</u>	<u>14,400.00</u>	<u>24,917.08</u>	<u>9,066.22</u>
	<u>\$ 457,951.12</u>	<u>\$ 59,829.29</u>	<u>\$ 517,780.41</u>	<u>\$ 462,024.96</u>

See notes to the financial statements

Sisters of Emmanuel, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2009</u>	<u>2008</u>
Change in Net Assets	\$ 77,054.64	\$ 111,422.60
Adjustments to reconcile change in Net Assets:		
Decrease (Increase) in operating assets:		
Accounts Receivable		
Grants and contracts	(917.88)	5,364.47
Prepaid expenses	1,250.30	(3,292.80)
Increase (Decrease) in operating liabilities:		
Accounts Payable	-	(7,967.44)
Accrued Liabilities	(3,386.48)	(26,595.42)
Unearned Revenue	<u>(22,500.00)</u>	<u>22,500.00</u>
Total Adjustments	<u>(25,554.06)</u>	<u>(9,991.19)</u>
Net Cash Provided By Operating Activities	51,500.58	101,431.41
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Used By Investing Activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,500.58	101,431.41
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>156,027.30</u>	<u>54,595.89</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 207,527.88</u>	<u>\$ 156,027.30</u>

See notes to the financial statements

Sisters of Emmanuel, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sisters of Emmanuel, Inc. (Sisters of Emmanuel) is presented to assist in understanding Sisters of Emmanuel's financial statements.

Nature of Activities

The Organization is a nonprofit, community-based program governed by a volunteer board of directors. The Organization makes available to all people professional counseling, either through private pay by individuals or school based counseling funded by government contracts. Its activities cover the Parishes of Calcasieu and Allen.

Basis of Accounting

The accompanying financial statements presented herein have been prepared on the accrual basis in accordance with generally accepted accounting principles.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Support and Expenses

The Organization receives substantially all of its revenues from either contracts with Federal, State, and Parish agencies or from individuals for fee based counseling services. Revenues are recognized as earned.

Expenses are recorded as incurred in accordance with the accrual basis of accounting.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

Sisters of Emmanuel, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

Support and revenue

All support is considered to be available for unrestricted use unless specifically restricted by the donor/grantor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(C) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Sisters of Emmanuel has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2009 and 2008.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable represents amounts due from various Federal and State agencies and are deemed to be fully collectible by management. As of December 31, 2009 and 2008, the Organization had a total grant receivable of \$62,308.89 and \$61,391.01 from the State of Louisiana as follows:

	<u>2009</u>	<u>2008</u>
December Reimbursement	\$38,347.88	\$38,728.35
10% Retainage	<u>23,961.01</u>	<u>22,662.66</u>
Total Receivable	<u>\$62,308.89</u>	<u>\$61,391.01</u>

In lieu of a performance bond, the state holds a retainage of 10% from all bills under the contract as surety for performance. The retainage is paid upon completion of the contract year.

Sisters of Emmanuel, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE C NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors. During the years ended December 31, 2009 and 2008, the total amount released from restriction was \$592,777 and \$573,448, respectively.

NOTE D DONATED MATERIALS AND SERVICES

Volunteers have made contributions of their time to Sisters of Emmanuel. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

The Catholic Charismatic Center provided the free use of space for the Organization. Management estimates the value of donated space to be \$9,600 for 2009 and 2008. This donation is recorded as contributions with the corresponding charge to rent.

NOTE E FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a program basis in the statement of activities. This requires the allocation of certain costs between program and supporting services based on estimates made by management.

NOTE G CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts in commercial banks. Accounts at commercial banks were insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2009.

NOTE H RISKS AND UNCERTAINTIES

The Organization receives a substantial amount of its support from governmental agencies. A significant reduction in this support, if it were to occur, would affect the Organization's programs and activities.

NOTE I PRIOR PERIOD INFORMATION

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Directors
Sisters of Emmanuel, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Sisters of Emmanuel, Inc. (a nonprofit organization) as of and for the year ended December 31, 2009 and have issued our report thereon, dated February 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sisters of Emmanuel, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sisters of Emmanuel, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sisters of Emmanuel, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors and Management of Sisters of Emmanuel, Inc., federal awarding agencies, Office of Mental Health, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 3, 2010

Sisters of Emmanuel, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditors' Results

December 31, 2009 and 2008

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(ies) identified that are
not considered to be material weaknesses? ☐ yes ☒ no
- Noncompliance material to financial
statements noted? ☐ yes ☒ no

Section II - Financial Statement Findings

Current Audit

There were no financial statement findings.

Sisters of Emmanuel, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Prior Audit

2008-1

Finding: The Organization is required by its Contractual Agreement with the State of Louisiana to have an annual audit of its financial statements prepared in accordance with generally accepted accounting principles and to complete the audit within six months of the year end. The Organization did not meet the deadline for reporting to the State of Louisiana. The Organization did not comply with the Contractual Agreement with the State of Louisiana.

Response: The Organization has engaged an auditor for the year ended December 31, 2009 and plans to submit it on a timely basis.

2008-2

Finding: The Organization maintained a separate general ledger for each program with two different year ends.

Response: The general ledger has been revised to account for both programs on a calendar year.

2008-3

Finding: Payments were being made and the bank account is reconciled without adequate review by someone other than the bookkeeper. Due to the size of the Organization, segregation of duties in this area is difficult; however, in order to maintain a better system of internal controls over cash disbursements, a cash disbursement report should be presented to the director for approval when payments are made. The bank statement and bank reconciliation should be reviewed by someone other than the bookkeeper on a monthly basis.

Response: The Organization plans to have all bank statements and bank reconciliations reviewed by the director on a monthly basis. A disbursement register will be presented to the Director for approval on a regular basis.